

Agenda Item X-G

Consideration of adopting the Committee's recommendation to the Board relating to the Final Report – An Audit of Formula Funding at South Texas College

Recommendation: Approval

Background Information:

Coordinating Board Compliance Monitoring issued a final report on An Audit of Formula Funding at South Texas College, dated July 7, 2016. The audit concluded that South Texas College had not fully complied with Coordinating Board rules and state law for enrollment data used for formula funding, in the area of continuing education contact hours. South Texas College did not meet the "immediate employment" aspects of TAC § 9.1(5) for continuing education contact hours reported for students 17 years of age and under. South Texas College also violated TEC § 130.003, which requires tuition be charged and collected for continuing education contact hours reported for formula funding.

As a result of the non-compliance, South Texas College received some \$2.3 million of formula funding for the 2016-2017 biennium that it was not eligible to receive. This error represented 3.4% of formula funds received and 56% of continuing education formula funds received by South Texas College for the biennium.

South Texas College sought Coordinating Board guidance regarding proper reporting for contact hours generated by continuing education courses. Specifically, the institution asserted that it relied on erroneous guidance provided by Coordinating Board staff through email, as well as Frequently Asked Questions (FAQ), and the Guidelines for Instructional Programs in Workforce Education Manual (GIPWE). Substantial correction of THECB guidance regarding tuition requirements for continuing education courses occurred in July 2015. Even though such guidance changed, South Texas College reporting practices regarding tuition requirements thereafter remained unchanged.

While South Texas College is committed to complying with all statutes and Coordinating Board rules, they respectfully disagree with the recommendations regarding limitations related to immediate employability, age, and paid tuition for continuing education contact hours reported for formula funding. Their interpretation of the applicable rules is provided in Attachment A to the audit report.

Rider 7 Adjustment of Contact Hours, page III-211, General Appropriations Act, 84th Legislature, states, "Texas Higher Education Coordinating Board is authorized to review the accuracy of the contact hour data reported to the Coordinating Board by community college districts. In the event of data reporting errors, the Coordinating Board is authorized to adjust the fiscal year's formula appropriations as necessary to reflect the corrected data elements." Thus, this agenda item provides the board the opportunity to consider the appropriateness of such an adjustment.

The final audit report is attached.